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cash reserve is thus in the possession of the reserve banks which are required to hold against their deposit liabilities only 35 per cent in gold or lawful money. Such an arrangement is perhaps not to be criticised with undue severity, but it is the sort of thing that adds to the banking strain that has become so acute in Europe and which will undoubtedly be felt severely by us if the war continues long.

The last chapter of the discussion of the Porto Rican reforms is devoted to a critical examination of the plan that was adopted and is so interesting and valuable as to suggest that a similar treatment of the other sections of the book would have proved most helpful. Thus the author's generalizations regarding the way in which the Indian currency plan stood the strain of the European war are given very briefly (pp. 146-147) and are not very adequately supported. A longer analysis would have been helpful; and since the volume was published in December, 1916, a considerable amount of information was available. The same comment may be made, although with considerably less emphasis, regarding the treatment of the Philippine currency and that of the Straits Settlements.

Finally it may be remarked that a general concluding chapter would have been helpful, one bringing together such generalizations as seem warranted regarding the whole problem of currency reform in our new, undeveloped countries. The Philippine situation is demanding attention, and Mexican problems are again acute, while most of the Latin American countries must sooner or later give serious thought to their monetary affairs.

E. M. Patterson.

University of Pennsylvania.

The Value of Money. By B. M. Anderson, Jr. (New York: The Macmillan Company. 1917. Pp. xxviii, 610. $2.25.)

In 1911 Mr. Anderson published a noteworthy book entitled *Social Value* of which the book under review is a logical outcome. Indeed the first chapter, on Economic Value, is a summary or condensed resumé of the former book, and in the other chapters the doctrines of that book are applied to the solution of the problem of the value of money.

In part I, entitled The Value of Money and the General Theory of Value, the thesis is maintained that "the problem of the value of money is a special case of the general problem of value" but

that economic theorists have not generally so treated it, indeed that two quite independent bodies of doctrine have been developed in connection with these two subjects and that both are defective and inadequate. He treats these defective bodies of doctrine in five chapters of part I, under the heads, Supply and Demand, Cost of Production, the Capitalization Theory, and Marginal Utility, and in part II, all of which is devoted to a criticism of the quantity theory. In part III he develops his own explanation of the value of money in four chapters in which he treats the relation to his topic of the origin of money, the functions of money, credit and bank assets, and bank reserves. The concluding chapter, also designated as part IV, is devoted to the reconciliation of statics and dynamics, to the various contrasts between and conceptions of which he has devoted much attention in the previous chapters.

Mr. Anderson's conception of value and its relation to price is in accordance with that of many other writers, but opposed to that of writers who treat it as a relation or as purchasing power. It is, in his words, "an absolute quantity, prior to exchange," "the fundamental and essential attribute or quality of wealth, the common or homogeneous element present amidst the diversities of the physical forms of wealth, by virtue of which comparisons may be instituted among different kinds of wealth, and different items of wealth may be added to make a sum, put into ratios of exchange, and so on" (p. 388).

According to his view, "individual prices have two coöperating causes: (a) the social economic value of the money-unit, and (b) the social economic value of the unit of the good in question" (*ibid.*).

"Particular prices and general prices may change because of changes in the value of goods, with no change in the value of money. Or, particular prices and general prices may change because of changes in the value of money, with goods remaining constant" (*ibid.*).

His special contribution to the subject consists in his "causal explanation of the value quantity" (*ibid.*). This he finds neither in any form of cost of production nor in marginal utility, but in the "organic interplay" (p. 16) of the many minds which constitute society. It is, in his judgment, a social product to the making of which not only individuals by their activities and judgments contribute, but also "objective, external, constraining and im-

pelling forces" (p. 19) like law, moral and secular, public opinion, "Church and State and Courts and Professions and great corporations and Political Parties, and multitudinous other less formal or smaller institutions, which go on in continuous life, though the men who act within them pass and change" (p. 20).

These social forces operate upon each and every commodity, including the money unit and determine for it its quantum of value. The objects of valuation in the money unit ordinarily are the commodity or material thing of which it is composed and some of its monetary uses, especially its use as a medium of exchange, a "bearer of options," a store of value and a reserve for credit instruments. The author devotes a long and illuminating chapter (ch. 22) to the analysis of these and the other functions of money which he designates as that of a common measure of values, a legal tender for debts and a standard of deferred payments. Money, he says, must have value from some source other than the monetary employment, "but this does not mean, necessarily, that money must be made of precious metals or be convertible into precious metals." His theory makes room for the "hypothetical possibility" that "paper money may attain a value of its own, growing out of the various factors which a social psychology can explain, including law, patriotism, and custom," though it is his judgment that "no clear case has been made for the view that this [paper money having a value apart from its prospect of redemption] has historically occurred" (p. 391).

His theory enables him to illuminate many of the difficult problems connected with credit and its relation to prices and those connected with bank assets and bank reserves. In his chapter on credit (ch. 23) he discusses such questions as:

> What difference is made in values and prices by lending and borrowing? What kinds of lending and borrowing are there? What shall we say of bank notes, of bank deposits, of bills of exchange? What difference is made by the money market? Behind the legal forms and the technical methods, what are the psychological forces at work? How are these psychological forces modified by the technical forms and methods? What are the economic differences between long and short time loans? How shall we draw the distinction between the money rates and the long time interest rate on capital? Why can some things serve as collateral in the money market when others cannot? What sorts of credit are appropriate to commerce, to manufacturing, to agriculture? Is credit capital? Is an increase in credit an increase in values?

His chapter on Bank Assets and Bank Reserves" (ch. 26) is a

continuation of the same topic in the form of an analysis of bank assets and an excellent discussion of the subject of bank reserves in which the commonly held view of the relation of bank reserves to bank credit is shown to be erroneous.

The critical portions of the book are of unequal merit. In the judgment of the reviewer those which pertain to other theories of value than the author's, especially to the marginal utility theory, are too absolute and uncompromising in condemnation. To the reviewer the social value theory seems rather a valuable and necessary supplement to, rather than a substitute for, the marginal utility theory. The chapters on the quantity theory, however, are comprehensive and thorough and ought to assist in clarifying the minds of economists who are still befogged by that theory. Without doubt it is the most complete refutation of that theory which has been published.

The book bristles with points of controversy which challenge the reader. It is doubtful if any economist would agree with it all. From the point of view of the reviewer the weakest points in it are the analysis of the marginal utility theory and its relation to the author's theory, and the analysis of credit and bank assets. These weaknesses, however, are of minor importance. Considered as a whole, the book is strong and valuable, a real contribution to economic theory and a credit to its author.

WM. A. SCOTT.

University of Wisconsin.

NEW BOOKS

ARMSTRONG, L. and DENNY, J. O. *Financial California; an historical review of the beginnings and progress of banking in the state.* (San Francisco: Coast Banker Pub. Co. 1916. Pp. 191, xcv. $22.50.)

An annalistic account of banking, with chapters on the initial period of 1849-50, San Francisco banks of the fifties, early-day bank failures, early savings banks, private coinage in San Francisco, and banking in late decades. There are several chapters of reminiscences by bankers who were active a generation ago. In an appendix is a list of all existing banks showing the date of organization. There are many pages of photographs.

DUNBAR, C. F. *The theory and history of banking.* Third edition revised and enlarged by O. M. W. SPRAGUE. (New York: Putnams. 1917. Pp. 297. $1.50.)

Professor Dunbar's volume, which has enjoyed high regard since its publication in 1891, has been thoroughly revised and enlarged by Professor Sprague, a former pupil of the author. The additions